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*Financial Report*

*New Orleans Musicians Assistance Foundation*

*December 31, 2009*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/1/10

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New Orleans, LA

December 31, 2009

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**FINANCIAL SECTION**



Bourgeois Bennett

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
New Orleans Musicians Assistance Foundation,  
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of New Orleans Musicians Assistance Foundation (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Musicians Assistance Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2010 , on our consideration of New Orleans Musicians Assistance Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of New Orleans Musicians Assistance Foundation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
June 28, 2010.

**STATEMENT OF FINANCIAL POSITION****New Orleans Musicians Assistance Foundation**

December 31, 2009

**Assets**

Cash	\$ 596,298
Certificates of deposit	408,491
Prepaid expenses	7,344
Property and equipment, net of accumulated depreciation	<u>10,152</u>
Total assets	<u>\$ 1,022,285 ✓</u>

**Liabilities**

Accounts payable	<u>\$ 58,170</u>
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**Net Assets**

Unrestricted	
Undesignated	700,743
Board designated	<u>10,000</u>
Total unrestricted	<u>710,743</u>
Temporary restricted	<u>253,372</u>
Total net assets	<u>964,115</u>
Total liabilities and net assets	<u>\$ 1,022,285 ✓</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>Revenues and Support</b>			
Government grants	\$ 294,741	\$ 253,372	\$ 548,113
Private grants	120,000		120,000
Contributions	297,699		297,699
In-kind support	663,995		663,995
Investment income	27,152		27,152
	<u>1,403,587</u>	<u>253,372</u>	<u>1,656,959</u>
<b>Net Assets Released From Restrictions</b>			
Expiration of time restrictions and program restrictions satisfied through payments	<u>466,167</u>	<u>(466,167)</u>	<u>-</u>
	<u>1,869,754</u>	<u>(212,795)</u>	<u>1,656,959</u>
<b>Expenses</b>			
Program services	1,365,012		1,365,012
Management and general	111,115		111,115
Fundraising	322,170		322,170
	<u>1,798,297</u>	<u>-</u>	<u>1,798,297</u>
<b>Increase (Decrease) In Net Assets</b>	71,457	(212,795)	(141,338)
<b>Net Assets</b>			
Beginning of period, as restated	<u>639,286</u>	<u>466,167</u>	<u>1,105,453</u>
End of period	<u>\$ 710,743</u>	<u>\$ 253,372</u>	<u>\$ 964,115</u>

See notes to financial statements.



**STATEMENT OF FUNCTIONAL EXPENSES****New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2009

	Program Services	Support Services		Total
		Management	Fundraising	
Administrative and management services	\$ 150,555	\$ 56,458	\$ 169,374	\$ 376,387
Bank charges		688		688
Behavioral health care	89,617			89,617
Benefits expense	2,457			2,457
Dental care	46,971			46,971
Depreciation		2,948		2,948
Development consulting and expenses			123,853	123,853
Emergency assistance	30,151			30,151
Gig fees	213,753			213,753
Grant expenses	63,612			63,612
Insurance		4,622		4,622
Interest reimbursement	1,010			1,010
Medical staff services	549,777			549,777
Medical supplies	1,283			1,283
Miscellaneous		5,502		5,502
Mobile healthcare unit expense	107,900			107,900
Pharmacy expense	3,688			3,688
Postage and shipping	279	2,511		2,790
Printing and publications	2,124	19,118		21,242
Rent expense	99,768	12,914	12,914	125,596
Supplies	772	3,089	3,861	7,722
Telephone	1,295	1,295	3,885	6,475
Travel			6,313	6,313
Utilities		1,970	1,970	3,940
Total expenses	<u>\$ 1,365,012</u>	<u>\$ 111,115</u>	<u>\$ 322,170</u>	<u>\$ 1,798,297</u>

See notes to financial statements.

**STATEMENT OF CASH FLOWS****New Orleans Musicians Assistance Foundation**

For the year ended December 31, 2009

**Cash Flows From Operating Activities:**

Decrease in net assets	\$ (141,338)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	2,948
Realized gain	(755)
Unrealized gain	(8,491)
Decrease in operating assets:	
Prepaid expenses	207
Other assets	1,500
Increase (decrease) in operating liabilities:	
Accounts payable	22,783
Accrued expenses	(3,716)
 Total adjustments	 14,476
 Net cash used in operating activities	 (126,862)

**Cash Flows From Investing Activities:**

Purchase of certificates of deposit	(100,000)
Proceeds from redemption of certificate of deposit	200,755
Purchase of property and equipment	(3,019)
 Net cash provided by investing activities	 97,736

<b>Net Decrease in Cash</b>	<b>(29,126)</b>
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**Cash**

Beginning of year	625,424
End of year	<u>\$ 596,298</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**New Orleans Musicians Assistance Foundation**

December 31, 2009

**Note 1 - NATURE OF ACTIVITIES**

New Orleans Musicians Assistance Foundation (the "Foundation") is a non-profit organization, incorporated on April 2, 2007 under the laws of the State of Louisiana, organized to sustain Louisiana's musicians in body, mind, and spirit by developing access to primary care, preventative health services, occupational and social outreach.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

**b. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB"). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Basis of Presentation (Continued)**

**Permanently Restricted Net Assets** - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The Foundation does not have any permanently restricted net assets at December 31, 2009.

**c. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**d. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments available for current use, with an original maturity of less than three months from the acquisition date to be cash equivalents. The Foundation does not have any cash equivalents at December 31, 2009.

**e. Contributions and Revenue Recognition**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f. Property and Equipment**

Property and equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment have an estimated useful life of five years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

**g. Allocated Expenses**

The costs of providing the programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

**h. In-kind Support**

During the year, the Foundation received in-kind support in the form of administrative, program development, and fundraising services from the president and vice president of the Board of Directors. In addition, the Foundation received donated medical staff services from physicians and therapists and free use of medical facilities. The Foundation also received legal and accounting in-kind contributions. Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

The free use of office space was provided by a related party. The Foundation records the value of utilized office space as in-kind support and the corresponding rent expense.

**i. Income Taxes**

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501 (c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB ASC 105, *Generally Accepted Accounting Principles*, which established the FASB Accounting Standards Codification ("FASB ASC"), as the sole source of authoritative generally accepted accounting principles ("GAAP"). Pursuant to the provisions of Topic 105, the Foundation has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of Topic 105 did not impact the Foundation's net assets, changes in net assets, or cash flows.

Effective January 1, 2009, the Foundation adopted FASB ASC 740, *Accounting for Uncertain Tax Positions*. This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Foundation's financial position, results of operations, or cash flows. Tax years ended December 31, 2006 and later remain subject to examination by the taxing authorities.

**k. Subsequent Events**

Management evaluates events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 28, 2010, which is the date the financial statements were available to be issued.

**Note 3 - RESTATEMENT**

During 2009, it was discovered that the classification of net assets for federal grant funding received in advance had been improperly classified in previously issued financial statements. While there is no effect on the total net assets of the Foundation, the net assets of the Foundation at December 31, 2008 have been restated to correct this error. The following table presents this correction:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets at December 31, 2008, as previously reported	\$ 1,089,845	\$ 15,608	\$ 1,105,453
Restatement	<u>(450,559)</u>	<u>450,559</u>	<u>-</u>
Net assets at December 31, 2008, as restated	<u>\$ 639,286</u>	<u>\$ 466,167</u>	<u>\$ 1,105,453</u>

**Note 4 - CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash and certificates of deposit accounts in several financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, the Foundation had approximately \$208,000 in excess of the insured limit.

**Note 5 - INVESTMENTS**

The Foundation's certificates of deposit at December 31, 2009 are summarized below:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Certificates of deposit	<u>\$ 400,000</u>	<u>\$ 408,491</u>	<u>\$ 8,491</u>

**Note 5 - INVESTMENTS (Continued)**

	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Value Over Cost</u>
Balances at December 31, 2009	<u>\$ 400,000</u>	<u>\$ 408,491</u>	<u>\$ 8,491</u>
Balances at December 31, 2008	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
Increase in unrealized appreciation			<u>\$ 8,491</u>

Investment return at December 31, 2009 is summarized as follows:

Interest income	\$ 17,906
Net realized and unrealized gains	<u>9,246</u>
Total investment income	<u>\$ 27,152</u>

**Note 6 - FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. Topic 820 establishes a fair value hierarchy which has three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation uses the market approach for valuing certificates of deposit, which are within Level 1 of the fair value hierarchy. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and



**Note 6 - FAIR VALUE MEASUREMENTS (Continued)**

consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2009 and 2008, assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	2009		
		Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	<u>\$ 408,491</u>	<u>\$ 408,491</u>	<u>\$ -</u>	<u>\$ -</u>

  

Description	Total Assets Measured at Fair Value	2008		
		Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 7 - PROPERTY AND EQUIPMENT**

Property and equipment includes the following:

Computer equipment	\$ 13,317
Furniture and fixtures	<u>2,183</u>
	15,500
Less: accumulated depreciation	<u>(5,348)</u>
Net property and equipment	<u>\$ 10,152</u>

Depreciation for the year ended December 31, 2009 was \$2,948.

**Note 8 - BOARD DESIGNATED NET ASSETS**

The Board designated \$10,000 of unrestricted net assets as an emergency assistance fund.

**Note 9 - RESTRICTION ON ASSETS**

Temporary restricted net assets of \$253,372 at December 31, 2009 relate to a federal grant restricted for a specific purpose.

**Note 10 - GRANTS**

The Foundation and the Louisiana Department of Health and Hospitals ("LDNI") have an agreement to provide services, funded by the Primary Care Access and Stabilization Grant program. The funding was made available to provide medical services to local residents, marketed to musicians, and to help ensure the capability of the health care infrastructure in New Orleans. Management believes that the Foundation is in compliance with the provisions of the grant agreement and that the findings of an audit performed by LDNI, if any, would not have a material impact on the financial statements.

For the year ended December 31, 2009, the Foundation received \$ 548,113 of grant funding from the Louisiana Department of Health and Hospitals. Funding received from the Primary Care Access and Stabilization Grant ("PCASG") was approximately 55% of revenue (excluding in-kind support) for the year ended December 31, 2009. All funding is required to be maintained in a separate bank account.

**Note 11 - IN-KIND SUPPORT**

The fair value of in-kind support and the corresponding expenses for the year ended December 31, 2009 are as follows:

Administrative and management fees	\$ 137,273
Development and consulting expenses	109,500
Gig fees from related parties	36,000
Medical facility rent	95,950
Medical staff services	211,557
Professional fees	<u>73,715</u>
Total	<u>\$ 663,995</u>

**Note 11 - IN-KIND SUPPORT (Continued)**

The President and Vice President of the Board of Directors work substantially full time for the Foundation without compensation. The value of the services provided by them during 2009 was \$345,000, which is included above as administrative and management fees, development and consulting expenses, and medical staff services.

**Note 12 - LEASE COMMITMENT**

The Foundation leases its office space from a related party under a one year operating lease agreement that began on August 1, 2009. Monthly lease payments are \$2,429 and future minimum payments under this operating lease amount to \$17,003. Rent expense totaled \$125,596 for the year ended December 31, 2009, including \$95,950 of in-kind rent.

**Note 13 - CONSULTING AGREEMENTS**

**a. Medical Services**

The Foundation has contractual agreements with several network providers to provide various medical services to musicians and others served by the Foundation. The agreements are renewed on an annual basis.

**b. Administrative Services**

The Foundation has contracted with various individuals to provide administrative and clerical services. The contractual agreements are renewed on an annual basis.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
New Orleans Musicians Assistance Foundation,  
New Orleans, Louisiana.

We have audited the financial statements of New Orleans Musicians Assistance Foundation (the "Foundation") as of December 31, 2009 and for the year then ended, and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting as item 09-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-02 and 09-03.

The Foundation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Foundation's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, LLC.*

Certified Public Accountants.

New Orleans, Louisiana,  
June 28, 2010.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors,  
New Orleans Musicians Assistance Foundation,  
New Orleans, Louisiana.

**Compliance**

We have audited the compliance of New Orleans Musicians Assistance Foundation (the "Foundation"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, New Orleans Musicians Assistance Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questions Costs is items 09-02 and 09-03.

### **Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies significant deficiencies or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-02 and 09-03 to be significant deficiencies.



The Foundation's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana, the Legislative Auditor for the State of Louisiana, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
June 28, 2010.

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

### **New Orleans Musicians Assistance Foundation New Orleans, Louisiana**

For the year ended December 31, 2009

<u>Federal Grantor / Program Title</u>	<u>CFDA#</u>	<u>Expenditures</u>
<b>United States Department of Health and Human Services Centers for Medicare and Medicaid Services Agency - Pass-Through Program From: Louisiana Public Health Institute Hurricane Katrina Relief Program</b>	93.776	<u>\$ 760,908</u>

See notes to Schedule of Expenditures of Federal Awards.

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**New Orleans Musicians Assistance Foundation**  
New Orleans, Louisiana

For the year ended December 31, 2009

### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of New Orleans Musicians Assistance Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

#### **b. Payments to Subrecipients**

There were no payments to subrecipients for the year ended December 31, 2009.

### **Note 2 - FINDINGS OF NONCOMPLIANCE**

Findings of noncompliance are disclosed in the accompanying Schedule of Findings and Questioned Costs as findings 09-02 and 09-03.

**Note 3 - RECONCILIATION OF FEDERAL GRANT REVENUE TO EXPENDITURES  
OF FEDERAL AWARDS**

The following table presents the Federal awards revenue identified during the year ended December 31, 2009:

Amounts per Schedule of Expenditures of Federal Awards	\$ 760,908
Add federal awards received in advance of future grant expenditures	253,372
Less current year grant expenditures funded through previous year federal awards	<u>(466,167)</u>
Total government grant revenue included in the financial statements	<u>\$ 548,113</u>

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **New Orleans Musicians Assistance Foundation New Orleans, Louisiana**

For the year ended December 31, 2009

#### **Section I - Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ yes ☒ no
- Significant deficiency (ies) identified that are not considered to be material weakness ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

##### **b) Federal Awards**

Internal control over major program:

- Material weakness(es) identified? ☐ yes ☒ none reported
- Significant deficiency(s) identified that are not considered to be material weakness? ☒ yes ☐ no

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☒ yes ☐ no

**Section I - Summary of Auditor's Report (Continued)**

c) Identification of Major Program:

CFDA Number

Name of Federal Program

93.776

U.S. Department of Health and Human  
Services - Hurricane Katrina Relief  
Program

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

   yes    X no

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements**

**Internal Control Over Financial Reporting**

**09-01 Preparation of Financial Statements and Disclosures**

**Criteria** - Adequate internal controls in relation to financial reporting require the Foundation to have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP), including all required footnote disclosures, or detect misstatements or errors in statements prepared by others.

**Condition** - Financial statements and required disclosures were prepared by the auditors.

**Cause** - The Foundation has not determined a need for a financial person possessing the required technical expertise for cost-benefit reasons.

**Effect** - The independent auditor cannot be a part of the Foundation's internal control over financial reporting.

**Recommendation** - Management and those charged with governance can mitigate the lack of qualifications and expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Internal Control Over Financial Reporting (Continued)**

**09-01 Preparation of Financial Statements and Disclosures (Continued)**

**Views of Responsible Officials Of The Auditee - When There is a Disagreement  
With the Finding, to the Extent Practical - None.**

**Compliance and Other Matters**

**09-02 PCASG Funds Maintained in Excess of FDIC Limits**

**Criteria** - Federal awards received in advance of expenditures are to be maintained in a separate bank account in a FDIC insured financial institution. The balance in the bank account should not exceed FDIC insurance limits.

**Condition** - At July 31, 2009, the bank account had balances in excess of FDIC limits.

**Cause** - Although the Foundation had previously established a secondary bank account at another financial institution in order to maintain grant funds in accordance with FDIC limits, the required transfer of funds had not taken place as of July 31, 2009.

**Questioned Costs** - None

**Effect** - Bank account balances at July 31, 2009 in excess of \$250,000 were not FDIC insured.

**Recommendation** - The Foundation should actively monitor the primary bank account balance and make necessary account transfers to the secondary bank account in order to ensure account balances do not exceed FDIC limits.

**Views of Responsible Officials Of The Auditee - When There is a Disagreement  
With the Finding, to the Extent Practical - None.**

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters (Continued)**

**09-03 Timely Submission of Required Financial Reports**

**Criteria** - The Foundation is required to submit monthly expenditure reports to the state awarding agency, Louisiana Public Health Institute ("LPHI"), by the 15<sup>th</sup> of the following month.

**Condition** - The Foundation was unable to provide evidence of timely submission of the April 2009 and May 2009 expenditure reports to LPHI.

**Cause** - The Foundation did not maintain records of the dates each expenditure report was initially submitted. The reports in question were subsequently revised and re-submitted noting only the revision dates.

**Questioned Costs** - None

**Effect** - Timely submission of monthly expenditure reports for the months of April 2009 and May 2009 could not be verified.

**Recommendation** - The Foundation should create and maintain a record of all monthly LPHI expenditure report submission dates.

**Views of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the Extent Practical** - None.

**Section III - Internal Control and Compliance Material to Federal Awards**

**Internal Control Over Compliance**

Financial statement findings related to compliance and other matters, 09-02 and 09-03, are also considered findings related to internal controls over compliance.

**Compliance**

Financial statement findings related to compliance and other matters, 09-02 and 09-03, are also considered findings related to compliance with federal awards.



**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

### **New Orleans Musicians Assistance Foundation New Orleans, Louisiana**

For the year ended December 31, 2009

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

##### **08-01 Preparation of Financial Statements and Disclosures**

**Recommendation** - Management and those charged with governance can mitigate the lack of qualifications and expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

**Management's Corrective Action** - Unresolved - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles. (See 09-01).

##### **Compliance and Other Matters**

##### **08-02 Timely Submission of Audited Financial Statements**

**Recommendation** - The audited financial statements should be filed on a timely basis with the Louisiana Legislative Auditor.

**Management's Corrective Action** - Resolved - The Foundation filed its audited financial statements for the year ended December 31, 2009 with the Legislative Auditor on a timely basis.

## **Section II - Internal Control and Compliance Material to Federal Awards**

### **Internal Control Over Compliance**

#### **08-03 Data Collection Error Rate**

**Recommendation** - Management should contact the network providers requesting that client records be sent to the primary clinic in order to retain patient information in one location.

**Management's Corrective Action** - Resolved - Management has submitted a plan of action to the pass-through entity and is working with the network providers to ensure patient information is maintained in one location.

## **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2008.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**ON CURRENT YEAR FINDINGS**

**New Orleans Musicians Assistance Foundation**  
New Orleans, Louisiana

For the year ended December 31, 2009

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters**  
**Material to the Basic Financial Statements**

**Internal Control Over Financial Reporting**

**09-01 Preparation of Financial Statements and Disclosures**

**Recommendation** - Management and those charged with governance can mitigate the lack of qualifications and expertise in preparing financial statements by carefully reviewing the financial statements, including disclosures.

**Management's Corrective Action** - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles.

**Compliance and Other Matters**

**09-02 PCASG Funds Maintained in Excess of FDIC Limits**

**Recommendation** - The Foundation should actively monitor the primary bank account balance and make necessary account transfers to the secondary bank account in order to ensure account balances do not exceed FDIC limits.

**Management's Corrective Action** - Bank account balances will be closely monitored to ensure balances are maintained below FDIC limits.

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters (Continued)**

**09-03 Timely Submission of Required Financial Reports**

**Recommendation** - The Foundation should create and maintain a record of all monthly LPHI expenditure report submission dates.

**Management's Corrective Action** - Management will create and maintain a record of all monthly expenditure report submission dates.

**Section II - Internal Control and Compliance Material to Federal Awards**

See 09-02 and 09-03 in Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements.

**Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2009.